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OFFICE OF THE SECRETARY
FEDERAL MARITIME COMMISSION

Before the
FEDERAL MARITIME COMMISSION
NOTICE OF INQUIRY
SOLICITATION OF VIEWS ON THE IMPACT OF SLOW STEAMING

COMMENTS OF
TRANSPACIFIC STABILIZATION AGREEMENT

The Transpacific Stabilization Agreement ("TSA") responds below to the Commission's Notice of Inquiry seeking the views of interested parties on the impact of slow steaming. TSA includes 15 ocean carrier members and operates under FMC Agreement No. 011223. Its geographic scope covers the inbound trade from Asia to the United States. TSA will address only the five questions in the Notice of Inquiry addressed to rate agreements that establish a bunker surcharge guideline. The other questions in the Notice are more appropriately answered by individual ocean carriers or other parties. Since TSA covers only the inbound Asia-U.S. trades, its responses below are limited to that trade.

**Questions Directed to Rate Agreements
That Establish a Bunker Surcharge Guideline**

1. Within the geographic scope of your agreement, what proportion of the ships used by your members slow steam? What proportion slow steam outbound from the United States? What proportion slow steam inbound to the United States? Please break this information down by trade lane.

RESPONSE: [CONFIDENTIAL – RESTRICTED]

2. Please explain your method used for developing the bunker surcharge guideline. How can the formula be modified to reflect the savings realized from slow steaming?

RESPONSE: The method for developing the TSA bunker charge guideline is set forth in detail on the TSA web site, www.tsacarriers.org. The bunker formula was revised in 2008, in part as a result of input from shippers asking that it be more simple and transparent. The basic formula calculates a per container charge by dividing the fuel cost on a typical sailing by a typical vessel utilization, for both U.S. West Coast and East Coast. The fuel cost is tracked weekly using a publicly available index, www.bunkerworld.com. A factor for empty repositioning is also figured in. Underlying assumptions are made based on data provided by TSA carriers as to typical vessel capacity in the trade, vessel utilization, fuel consumption, steaming time, and empty repositioning. Based on these calculations and assumptions, the bunker index is revised quarterly and published on the TSA web site, in accordance with a table – linking fuel price levels for the previous quarter to a bunker charge level – that is also published on the TSA web site.

3. Has your agreement discussed possible ways to pass cost savings along to shippers? If not, do you have plans to, and what is your goal date? If not, why not?

RESPONSE: [CONFIDENTIAL – RESTRICTED]

4. What measures has your agreement taken to try to mitigate any adverse impact of slow steaming on the trade?

RESPONSE: To the extent there may be any adverse impacts of slow steaming, those impacts would be dealt with by the members lines individually, not TSA. TSA deals primarily with commercial issues relating to rates and charges. Service issues are addressed by the lines individually, not by TSA.

5. To what extent has the prevalence of slow steaming within the geographic scope of your agreement influenced the type of discussions that take place or the type of information exchanged under the authorities contained in your agreement?

RESPONSE: The primary effect of slow steaming in the TSA trade has been the discussion of the effects of the cost savings and ancillary costs of slow steaming on TSA's recommended bunker charge formula. See discussion in question 3 above. Also, at various times, the TSA members have acknowledged the significant environmental benefits of slow steaming. Otherwise, slow steaming has not had an effect on discussions within TSA.